

Citizen's Guide



Georgia's Budget System 2016 State Budget

December 2015

Introduction

The Citizen's Budget Guide is designed to help explain to the citizens of Georgia how the Government plans to use funds mobilized through taxes and other revenues.

The Guide enables the Government to explain to the people, in simple language, the program objectives outlined by and within the budget. The Guide responds to desires of the population who wish to receive more detailed information about the budget, by describing the different sources and uses. The Guide also facilitates creation of realistic expectations around specific policies and programs, and helps mobilize the population's support for the budget plan. In whole, the Guide helps citizens to raise the level of their awareness and knowledge concerning activities carried out by the Government, and increases their ability to become engaged with Government in the process of priority identification, budget planning, and execution. As a result, a better informed and active society can more easily make significant contributions to the development of Georgia's governance system and socio-economic progress.

Information on the 2016 State Budget Law will give a clearer idea to all stakeholders about the budget system of Georgia, the priority directions of 2016 budget, envisaged activities, volume of receipts throughout the year, and expenditures planned to achieve the set goals.

A summary guide to the current State Budget Law of Georgia, as well as information on budget and budgetary process may be found at the official website of the Ministry of Finance of Georgia:

www.mof.ge

What is a Budget?

Family budget

What is a budget? It is a plan to manage your income and expenditures. Budgeting is useful for individuals and families, and also for businesses and Governments.

It helps each family member to better manage the family's income and expenditures. All family members should be involved in the budgeting process in order to assume an obligation to follow the plan.

Demands and expenses increase in parallel to the increase in revenues, and nearly always exceed it. In real life, budgeting enables us to manage our finances with a clear view to the future. During a budgeting process, a family might discuss possible incomes and outcomes, such as food, utilities, transportation, recreation, as well as required payments, such as home, car and other consumer loan repayments. The family might also discuss the possibility of allowing for a certain amount of savings, in anticipation of future needs and/or unforeseen circumstances. It is also important to estimate the total family income for the year. If the family income is not sufficient to cover expected expense, then either the expenditure priorities must be redefined to reduce the costs, or alternative strategies identified to increase the family income, for example: by working more hours, or by taking on a different or additional job.

If the family expects their shortfall to be temporary or wants to make a major investment or start up a new business but does not have sufficient current resources, they might consider borrowing the needed money, while at the same time thinking about how to mobilize resources needed to repay the loan in the future.

If family finds itself with more income than needed to meet their current needs, they might want to put aside extra money to implement their long term plans, or invest some of it to improve their situation in critical areas, such as by buying a car or household appliances or by making home improvements.

In some ways, a family is a small model of the Government, and the State budget preparation process utilized by the Government is in some cases very similar to the family process described above. The Government and the Parliament define expected revenues, sources of income and expected costs of various Government programs, such as defense, foreign affairs, health and social care, education, law enforcement, regional infrastructure, agriculture and others.

In cases when expected revenues are less than the planned expenditures, the Government considers the option of borrowing funds, provided this is found to be beneficial for the country and feasible in terms of paying back the loan.

State budget

The State budget of Georgia includes the list of the revenues of the Central Government of Georgia, as approved by Parliament, as well as the expenditures to implement its functions and obligations.

The Budget is a transparent planning document in which the Government, after consultation with various spending units, reaches agreement on the use of State resources to achieve stated strategic priorities. During the process of formulating and refining the overall budget items, it is critically important to place this process in a rigorous fiscal framework that organizes the distribution of resources by pre-defined State priorities designed to achieve measurable goals.

The State budget has diversified functions and represents:

- The central Government's plan on how to find the sources to finance its programmatic expenditure commitments. It shows the source and amount of funds to be mobilized for the budget through various types of taxes such as value-added tax (VAT), excise tax, profit tax and other taxes and revenues.
- A plan on how the Government intends to spend the money it mobilizes: which activities are to be funded and how the revenues will be distributed among all the different sectors, such as education, defense, health, social welfare and so forth.
- A plan defining the limit for State debts and loans to be taken by the State. If spending is greater than revenue, the Government is required to borrow a specific amount of money to pay for services it plans to provide to its citizens as well as to repay the debts of previous periods.
- The budget has an influence on the development of the national economy. Some types of expenditures—for example investments in education, science and infrastructure, and the introduction of new technology—may increase productivity, which in future will raise the income of citizens. On the other hand, taxes reduce the income of the population and leave them with less money to spend. Therefore, the budget (receipts and expenditures) shall be balanced in a way to turn it into a strong leverage for the country's development.
- The budget is affected by national economic processes. In particular, in periods of strong economic growth, business activity is greater, the volume of employment increases and as a result, the country's tax revenues grow, especially from the tax on incomes. In such conditions, the Government is given an opportunity to fund more activities with its own resources. Therefore, the need for borrowing decreases.
- The budget provides an historical record and a strategic document. The budget includes information on the revenues and expenditures of previous years, and can be helpful in forecasting future spending.

Some key budget terms are described below:

Budget – the unity of receipts, expenditures to be covered, and the remaining balance (or deficit), with the purpose of fulfilling the functions and responsibilities of the Central, Autonomous Republics, and Local Self-Government entities of Georgia, and which is prepared and approved by the relevant Central, Autonomous Republics, and Local Self-Government entities of Georgia.

Program Budget - Appropriations as allocated by the spending units for their various programs/subprograms. The main principle of Program Budgeting is to assign State funds to achieve predetermined and measurable goals; considering this, the Program Budget is often referred to as a Results-Oriented Budget. The goal of Program Budgeting is to raise the effectiveness and transparency of State expenditures, to increase the accountability of the State sector units, and to strengthen the relationship between money spent and results achieved.

In addition to the programs/subprograms to be implemented by various spending units, the Budget Code determines the role of general expenditures and the law specifies the type of expenditures that qualify for that, including reserve funds and the preset limit for them (no more than 2% of the total budget).

Program - is a unity of activities to be carried out by a budget organization to achieve the objectives of the priorities defined by the budget;

Subprogram - is the complex of activities to be performed by a budgetary organization within the program(s) of the spending unit(s).

Budget System of Georgia

All levels of the Georgian government budget system – Central, Autonomous Republics and Local Self-Government units - are regulated by the Budget Code of Georgia, which was adopted in 2009. The Budget Code introduced a program budget structure that has been applied in all central spending units since 2012. Preparation of local budgets according the program budget structure began in 2013.

The budget system of Georgia “is the combination of budget policies and procedures regulated by legal acts for the mobilization and use of funds to carry out the functions of the Central, Autonomous Republics, and Local Governments”.

The budget process is the set of activities undertaken by of budget system participants that includes drafting of the budget, submission, review, approval, specification, execution, reporting and control.

The basic principles of the Budget System of Georgia are:

- **Comprehensiveness** - complete reflection of all relevant details in the revenues, expenditures and balance in the budget;
- **Transparency** - openness of the review procedures of the draft budget in the representative bodies; publishing of the reports on the approved budgets and execution; and availability of this information to the public;
- **Accountability** – responsibilities of all participants in the budget process for their performed activities and the submitted information of the budget;
- **Independence** - independence of all levels of budget;
- **Unity** – using the unified budget classification codes, unified accounting system, and unified principles of State financial control for all level budgets;
- **Universality** - all revenues directed for financing the overall budget expenditures;
- **Consolidation** - unified single treasury account system.

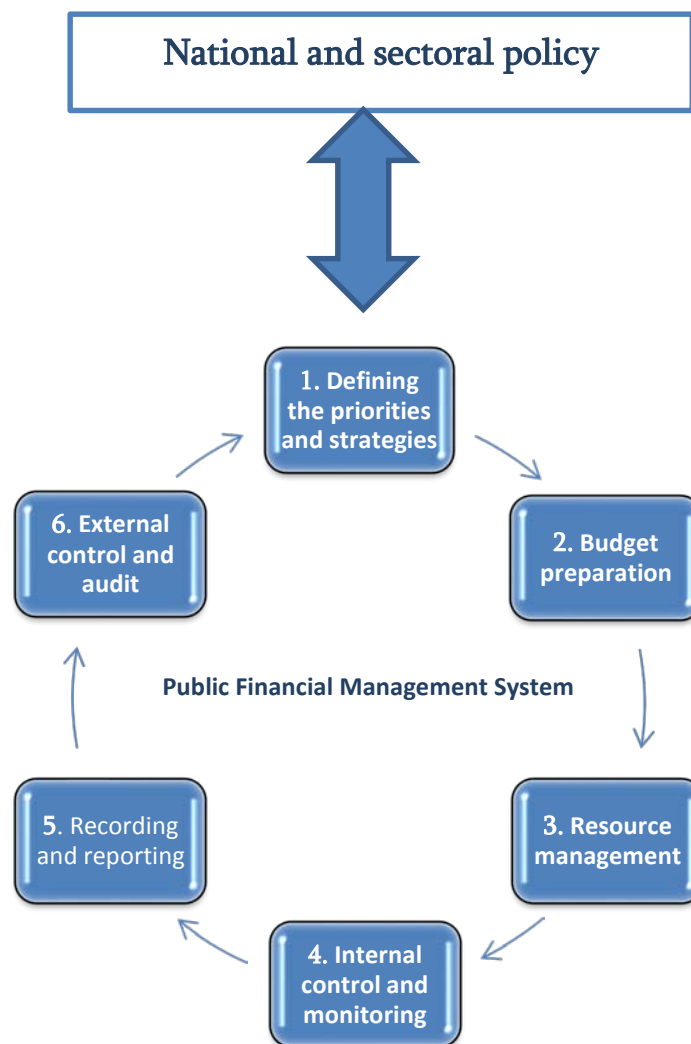
The executive government is responsible for budget drafting, execution of the approved budget and reporting, while the Parliament of Georgia is responsible for approving, issuing and overseeing the effective use of funds included in the State Budget.

Public Financial Management as a unified system

Many people assume that Public Financial Management (PFM) is simply a process of allocating, spending and recording of public funds. In reality, Public Financial Management can be considered a unified system of correlated processes rather than a single process.

The following diagram illustrates the outcomes of the integrated management of State expenditures:

General diagram of Public Financial Management



- (1) **Defining priorities and strategies** – well-organized and strategy-based budget process in which the central entities—the Government and the MoF—clearly identify the macroeconomic forecast, resources and policy frameworks, while the sectoral Ministries consider their strategic planning goals and priorities.
- (2) **Budget Preparation process** – ensures reflection of strategic plans in the given frameworks and distribution of actual funds.
- (3) **Resource Management processes** – ensure that the required funds, goods, capital and staff are available to effectively perform the budgeted activities.
- (4) **Internal Control and Monitoring** – internal management tools exist and are employed to guarantee that responsible persons and decision-makers are continuously informed on the budget execution status and the existing problem.
- (5) **Accounting and reporting systems** - ensure full transparency of the budget process, i.e. existence and reporting of information that clearly shows where, how and when the State money is spent. At the same time, this process strengthens the accountability of the people involved in this process.
- (6) **External Control and Audit** – the external audit verifies compliance of the expenditures, authenticity of financial assessment, and the existing status of budget execution, thus ensuring approach with higher responsibility to planning and determination of strategies in future.

These processes together form one complete and agreed system that represents Public Financial Management. The system's effectiveness greatly depends on the functioning of all six processes, both separately and in combination (the correlation between the processes is marked with arrows on the diagram that indicate how these processes form one complete and agreed system in the end). Even if all these processes are functioning effectively, but their functionality is not agreed, have different timeframes, diverse critical moments, or some other discrepancy, than there is no guarantee the PFM system can generate effective outcomes.

Unfortunately, many reforms focus on strengthening of specific, individual processes but not on the correlations between them. This will never produce an effective result. One of the interesting reforms that aim at establishment of a unified system through correlated processes is the Medium Term Expenditures Framework (MTEF).

Basic Data and Direction Document (BDD)

The draft annual budget preparation process begins with working on a Basic Data and Direction Document (BDD).

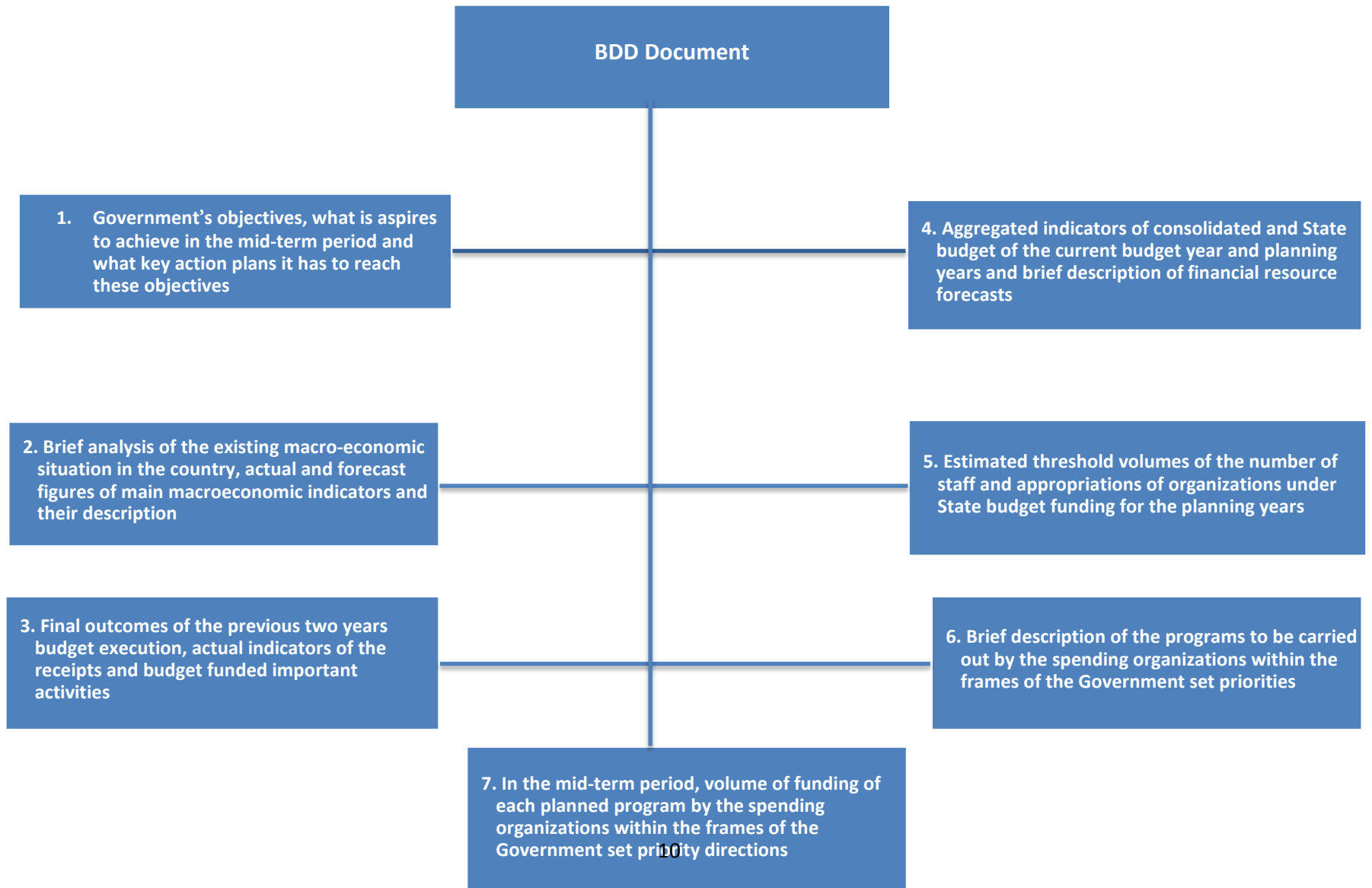
The BDD document is the main development plan of the country that includes information on mid-term macroeconomic and fiscal forecasts, as well as the main directions of Central, Autonomous Republics and Local Self-Government Bodies of Georgia.

BDD document spans a four year period, but is updated annually.

Preparation of the BDD document is a prerequisite for annual budget preparation. The Budget Code of Georgia defines the stages of the BDD document preparation, the type of information it should include and the timeframe for submission of the draft, revised and final versions to the Georgian Government and the Parliament.

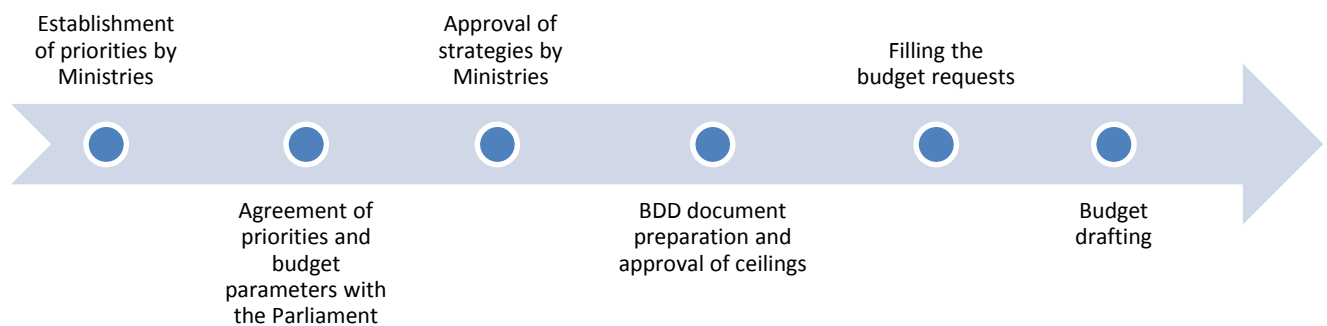
The Government of Georgia approves the primary version of the BDD document for the planning year, plus next three years.

Structure of BDD document:



Brief description of the budget process

- During the draft State budget preparation process, the line ministries determine their priorities;
- The Government agrees the priorities and budget parameters with the Parliament;
- Considering the Parliament's comments and proposals, the Ministries approve mid-term priorities and their implementation strategies;
- BDD document is prepared on the basis of the priorities of the Ministries and reflects the estimated volumes of funding of spending organizations' programs as well as budget ceilings of the Ministries;
- Considering the BDD document, the Ministries fill budget requests; on the basis of the budget requests, the Ministry of Finance prepares draft State budget;
- The Government of Georgia submits the draft budget to the Parliament of Georgia; after discussions, Parliament approves the Law on Annual Budget.



Description of Public Financial Reform

Public Financial Reform began in 2004, and is based on the introduction of the Medium Term Expenditures Framework (MTEF); general improvement of budget process; conformity of budgetary classifications with international standards GFSM 2001 for the budgets of all levels; and transition to the program budget format.

Recently approved regulations on the budgetary process have been reflected in the revised Budget Code, which was prepared and approved in 2009 and has been effective since 2010. The Budget Code consolidates all legislative acts linked to the budget system for the State, Autonomous Republics and Local Self-Governing units' budgets. The Budget Code also defines the obligation of gradual transition to the program budget for the State Budget from 2012, while for the budgets of Autonomous Republics and Local Self-Government units from 2013.

Much has been done in terms of the MTEF introduction. The format of the BDD document has several times experienced changes since its preparation in 2005. With the new Budget Code, the link between the planning of the BDD document and preparation of the annual Budget Law is strengthened at the legislative level. The document reflects Government's priorities, analysis of macroeconomic parameters of previous and planning years, and key activities to be performed by the spending organizations. Gradually, the document has begun to reflect the priorities of all spending organizations of the State Budget as well as those of the Autonomous Republics and Local Self-Government units. The Ministry of Finance, in coordination with the spending organizations, annually prepares the 4-year BDD document of the country, in accordance with the Budget Code. This document reflects mid-term priorities of the Ministries and other spending organizations, their funding, and objectives. The document determines the threshold volumes of appropriations and number of staff for the spending organizations. As a result, the BDD document represents a framework for the annual draft budget and is part of the package that is submitted to the Parliament of Georgia, while its final version is delivered to the Budget and Finance Committee of the Parliament in January of the planning year.

Referring to the transition of the 2012 State Budget to the program budget format, for the first time the BDD document for 2013-2015 was prepared in a different format in order to harmonize with requirements envisaged by the program budget.

The methodology of program budget preparation was revised in 2015, as reflected in regulations that have been written in more detail recommending directly the spending organizations to develop programs and sub-programs, prepare relevant expenditures reports, define expected mid-term and final outcomes and performance indicators based on their mid-term plans, sectoral strategies and available resources. The program budget incorporates a broader indicators system: basic and targeted indicators, possible deviation, and possible risks are to be presented for each program. This aims at reflecting the programs/subprograms/

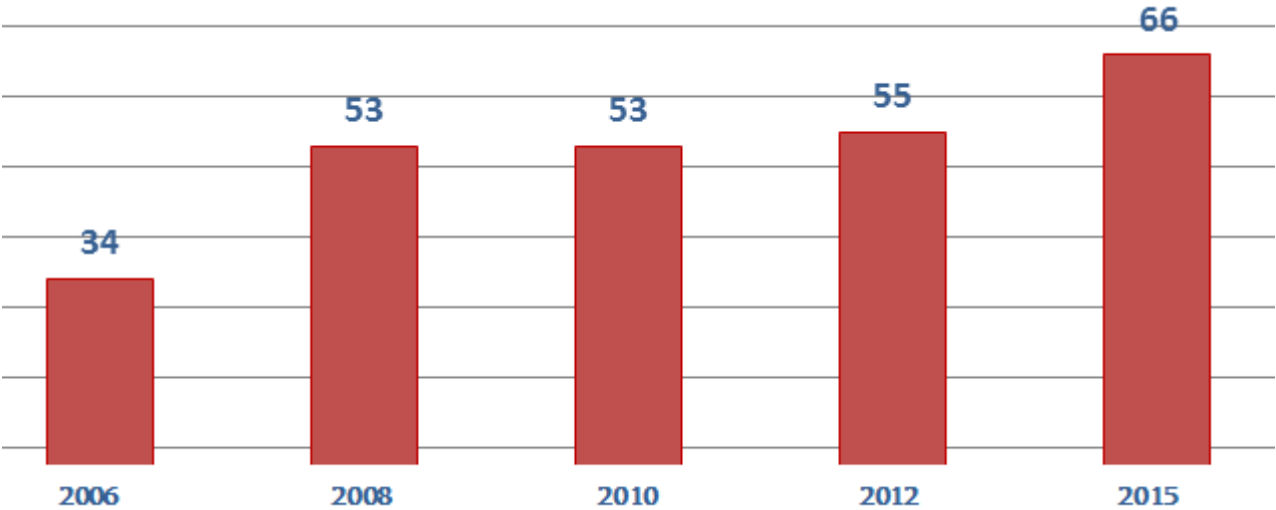
activities defined by the mid-term action plans or various sectoral strategies of the Ministries and their budgets in the Annual Budget Law of the corresponding year as well as in the BDD document. The methodology describes procedures for development of mid-term action plans by the Ministries, gives detailed information on what to include in the mid-term action plans, how to prepare the information envisaged by each mid-term action plan, and how to develop expenditures reports for different types of programs.

Within the framework of Public Financial Reform, budgets of all levels and all budgetary organizations were integrated in the Single Treasury Account. Particularly, since January 1, 2015, relevant modules of the Public Financial Management System and budgets of all levels and all budgetary organizations have been updated and fully integrated into the Treasury’s electronic system at planning and execution stages. Based on this reform, the circle of institutions foreseen under the term of a budgetary organization has been expanded and the Budget Code regulation sphere covers all the legal entities (other than legal entities with entrepreneur’s status and National Bank of Georgia) established by Central, Autonomous Republics and Local Government entities and/or subjected to their reporting/control.

Budget format and procedures of submission have significantly improved; required steps have been made for links among the result-oriented planning, mid-term perspective and strategic planning and budget.

The basic requirements for budgetary transparency are in place in Georgia. According to Open Budget Survey 2015 Georgia received relatively good marks – 66 and is ranked 16th among 102 countries in the world (according to the same survey in 2012 Georgia received 55 and ranked 33rd) and is among substantial transparent countries.

The following graph describes Open Budget Index of Georgia in 2006-2015.



Main fiscal procedures in Georgia

In 2011, Parliament adopted the organic law of Georgia “*On Economic Freedom*” that provides basic guarantees of economic rights and freedoms. Based on this Law, the State provides economic rights and freedoms that should serve as the foundation for the social development, welfare and long-term, stable growth of economy. Freedom is the main principle of the economic policy that is reflected in the small-size government, responsible macro-economic policy, and low taxes.

To ensure welfare through long-term and stable growth of the economy, the following maximum thresholds of macro-economic parameters have been determined:

Expenditure Rule – correlation of the whole volume of growth of the consolidated budget expenditures and non-financial assets with Gross Domestic Product (GDP) shall not exceed 30%;

Balance Rule– ratio of the consolidated budget deficit with the GDP shall not exceed 3%;

State debt Rule – correlation of State debt with GDP shall be no more than 60%.

Revenue Rule - Organic Law prohibits increase of any type of taxes, except excise.

If Parliament’s approved budget is not in compliance with the threshold or thresholds defined by the Law, the Government of Georgia must develop and submit to the Parliament of Georgia for approval the next two year budget parameters, considering the plan of refunding in the given thresholds and the period.

The Parliament of Georgia can approve a budget non-compliant with the given threshold or/and thresholds only if the ongoing year’s budget was compliant to this threshold/thresholds, except in case of emergency or state of war or/and economic recession.

Identification of fiscal parameters for the mid-term period is based on both the general procedures defined by the legislation and existing macro-economic situation analysis in the country and the region.

State Budget Structure

The structure of the State Budget Law includes the following information:

- The first four Chapters give the main parameters of the State budget, including the breakdown of receipts and expenditures, by economic and functional classifications, deficit volume and sources of its funding, forecast volume of the State debt, etc.;

- The 5th Chapter presents budget identified priorities and description and objectives of the programs/subprograms planned within their frames (programs are grouped by priorities);
- In the 6th Chapter, programs are grouped by the spending organizations in charge of their implementation; also, the volume of appropriations per each program is presented. The same Chapter defines the volume of expenditures of general State importance;
- The 7th Chapter presents a detailed breakdown of transfers envisaged for Autonomous Republics and Local Self-Government units;
- The 8th Chapter gives the regulatory and transitional regulations of the Budget Law.

For greater transparency, the draft program budget is accompanied by informational annexes while being submitted to the Parliament, which provide in detail the information regarding the presented programs and capital projects, in particular:

- The Program Budget annex describes each program and subprogram, their expected outcomes and outcome evaluation indicators, basic and targeted indicator for each program, error probability and possible risks;
- The Capital Budget annex gives information on the budget planned capital projects (including the total cost of the projects, sources of funding, terms of completion, etc.);

Detailed breakdown of the budget defined programs and information on the budgetary organizations State Budget that includes information on the forecasts of the main macro-economic indicators (nominal and actual Gross Domestic Product, economic growth, inflation, investments, etc.), brief description of ongoing year State budget execution, package of legislative changes required for enactment of the annual Budget Law and additional information on programs/subprograms defined by the budget and execution evaluation indicators.

Receipts and expenditures to the State Budget are recorded through **Budgetary Classifications**, which enable the grouping of budget revenues and expenditures by economic character, functional activities, organizational structure, and other characteristics. In recent years, the system of budgetary classification has significantly improved. As of 2012, program classification was introduced for the budget process planning, execution and State budget-related reporting.

Budget receipts are the aggregate of monetary resources received by the budget in the given accounting period:

- Revenues (taxes and other revenues);
- Non-financial assets (*funds received from the operations with nonfinancial assets*);
- Financial assets (*funds received from the operations with financial assets, except the use of the balance*);

- Liabilities (*funds received as a result of taking loans*).

Budget expenditures are the aggregate of monetary resources to be allotted from the budget in the given accounting period:

- Expenses (*labor remuneration, goods and services, interest, subsidies, grants, social service, other expenditures*);
- Non-financial assets (*funds allocated to operations with non-financial assets*);
- Financial assets (*funds allocated to the operation of financial assets, except the accumulation of the balance*);
- Liabilities (*funds allocated to covering the expense of loans*).

2016 Budget General Review

For 2016, like 2014-2015 years, the budget is being prepared in compliance with the program – “Strong, Democratic, Unified Georgia.” The primary goal of this program is to ensure the social welfare of the population and stable development of the country’s economy.

State Budget priorities

➤ Available quality healthcare and social service

- Taking care of the population’s health and social guarantees. Healthcare service is made available to the entire population of the country in order to improve the quality of the healthcare service and offer needs-based social guarantees to qualified beneficiaries;
- Pensioners will be provided with pension benefits envisaged by legislation;
- The employment sector, within the frames of the State policy, envisages creation of new jobs and proper management of labor resources;
- Information base on unemployment is permanently updated and improved; as well, data on the unemployed people and systematized data on the employer’s demand for the staff with different qualifications is processed.

➤ Defense, public order and safety

- Adequate working conditions are provided for military servants as well as relevant social guarantees for them and the former military servants;
- Fundamental reform will be conducted in the system of rights and interests of military and war veterans;
- Fair punishment policy will be carried out. Punishment regime will be organized in compliance with international standards and human rights will be fully protected;
- Uncovering and investigation of the organized or other types of crimes will be supported. Priority will be assigned to restorative justice and resocialization policy;
- Specific measures will be considered to limit the authority of the Prosecutor’s Office during the investigation and criminal law prosecution stages, with the purpose to better protect rights of both the accused and the victim.

➤ **Regional development, infrastructure and tourism**

- International, internal-state and locally significant roads will be constructed and improved throughout Georgia. Construction of the East-West Highway and Kutaisi and Kobuleti belt roads will continue at a high speed;
- Support to cities and recreational territories of Georgia will continue for tourism purposes as well as to attract investments to the touristic infrastructure;
- Better access to resorts and other destinations will be provided. The process of attracting investments in this sphere will continue and support the growth of the country's transit potential, trade and tourism as well as construction of new enterprises and creation of new jobs;
- Rehabilitation works of water supply and water-drainage infrastructure throughout Georgia will continue.

➤ **Education, science and professional training**

- Better access to education will be provided. Quality of education will be improved as well as the scientific potential of the High Education Institutions;
- Rehabilitation and construction of public schools will continue; infrastructure of vocational institutions will be developed;
- Pupils of public schools as well as specific category pupils of private schools of Georgia will be provided with school books; first class and excellent pupils (excellent graduates of the basic level) will be provided with personal computers;
- Gradual increase of teachers' salaries will be conducted as well as funding of study and living costs of successful students in the top world Universities;
- State policy in regard to science and the activity of scientific-research institutions will be developed;
- Scientific infrastructure will be developed, quality of researches will be increased, and youth will be involved in the scientific-research activity;
- Attention will be paid to the improvement of high quality vocational education, which is the required prerequisite for supplying the labor market with highly qualified local employees and will have huge impact on reduction of the unemployment level;
- The State will continue and increase care for representatives of ethnic minorities and youth of different social layers to provide them with equal access to higher education.

➤ **Improvement of macro-economic stability and investment environment**

- Against the background of the world's economic crisis, maintenance and improvement of positive macro-economic parameters of Georgia acquires special significance, as these are the key indicators for attraction of capital and investments, expansion of existing enterprises and creation of new jobs;
- Low growth is likely in the mid-term period; accordingly, measures will be carried out to ensure redistribution of the entrepreneurs' capacity proportionally to the tax and regulatory administration burden, giving more incentive to small and medium-size entrepreneurship;
- Planned measures will be directed at creating a better investment environment in the country, leading to sustainable economic development;
- Exports will be stimulated and imports replaced; business development opportunities will be expanded and long-term State economic development strategies and programs introduced.

➤ **Institutional development and legal support of the country interests**

- The State will continue supporting the democratic values acknowledged by the country and enhancing democratic institutions, civic pluralism and improvement of the election system;
- Activities will be carried out to improve legal drafting skills, and providing legal support to improve the country's legislative base and harmonize it with international standards, which includes better regulation of issues linked to the civil service at the legislative level and improvement of legislation regulating labor relations.

➤ **State support and reintegration of IDPs (internally displaced people) and migrants**

- Before restoration of the territorial integrity and return of IDPs, the State will take care and provide normal conditions of life to IDPs, which imply activities related to construction-rehabilitation of the residential buildings, legalization of living spaces and housing of IDPs and provision of opportunities to live in adequate conditions.
- The State continues implementation of relevant activities to aid refugees, ensure reintegration of those who returned based on the Readmission Agreement and provide eco-migrants with suitable residential housing;
- Special attention will be paid to creation of a stable, safe environment in order to lay a foundation for full-scale resolution of the conflicts;

- Construction of democratic institutions and acceleration of solutions to overcome social-economic development problems will be decisive for conflict regulation.

➤ **Culture, religion, support to youth and sports**

- The State continues financial support of significant cultural objects of the country, popularization of the Georgian culture abroad, protection and rehabilitation of cultural heritage;
- Rights of national minorities will be upheld and organizations working on civil integration will be facilitated;
- Support will be provided to youth in different international arenas and their transformation into the active members of society will be facilitated;
- Sports infrastructure will be modernized and modern technologies introduced;
- Relevant measures will be adopted to support successful sportsmen and to offer different social benefits to them, while also to promoting a healthy lifestyle among youth;
- Special measures will be taken for protection of the Georgian language as a State language. The State will take care of the language and guarantee that the constitutional status of the Georgian language is protected.

➤ **International relations and Euro-Atlantic Integration**

- One of the most important priorities of the country is to successfully develop foreign relations of the country, integrate the country into EuroAtlantic sphere and support global security;
- The basis of foreign relations is to ensure national security and consider the existing geopolitical reality; also to seek European Union and NATO integration;
- Specific measures will be carried out to ensure protection of the country's interests in the international arena;
- Successful introduction of the Association Agreement will be of high priority in terms of cooperation with the European Union;
- Strengthening of the democratic institutions and engagement of civic society will contribute to the success of full-scale resolution of conflicts;
- Georgia develops relations with the United States of America as its chief allied country pursuant to the conditions defined by the Strategic Partnership Charter; Georgia discusses the Charter as an obligation towards its own society;

- Considering the country's favorable geopolitical location for transnational projects, development of relations with the countries of the Black and Caspian Sea regions as well as Central Asia shall become one of the priority directions of the foreign policy of Georgia.

➤ **Agriculture**

- Sharply defined agrarian and regional policy as well as increase of funding of agriculture sector will be the primary guarantor of agriculture development; the share of private investments in the funding structure will significantly increase step by step at the expense of decrease of other funding;
- Within the frames of implementation of agrarian policy strategy: land use issues will be regulated; small and medium-size farmers will be provided with available money resources; productivity, rentability and competitiveness will be increased in the agrarian sector; and living conditions of the population in regions improved;
- Development of small and medium-size business ensures economic development of the country, reduction of unemployment, poverty reduction and improvement of the social background, establishment of a numerous and strong middle layer. The market will become competitive, free entrepreneurship will be facilitated, welfare of the self-employed will increase, and their incomes will significantly exceed the living wage.

➤ **Court system**

- Measures are foreseen to support the reform and proper operation of the country's judicial system; raise public trust and engagement; and develop the jury trial in order to ensure maximum accessibility and effectiveness of the court system for all citizens of Georgia or its non-residents;
- Reform of the judicial system will be conducted, which means a court system free from political or government influences, independent and unbiased justice, and efficient constitutional control;
- Institutional independence of the court will be provided as well as full transparency of the judicial branch administration process and publicity of the entire process of justice.

➤ **Environment protection and management of natural resources**

- Environmental standards will be developed as well as the legal-normative base in compliance with European Union requirements;

- An environmental impact/strategic assessment system will be developed that is built on modern principles. The quality of fuel, and activities of fleets and enterprises will meet modern standards of environment protection;
- The State will continue implementation of development and popularization of protected territories, while maintaining biological diversity of fauna and flora in the country;
- An infrastructure for effective collection of waste will be arranged in the country; an early warning system for population and forecast of natural disasters will be developed; protection/restoration activities along the Black Sea coastline and banks of rivers will be carried out; it will become mandatory to envisage environmental issues in urban planning and construction activity; development of ecologically sound transport infrastructure will be facilitated.

Planned activities

The 2016 Budget is designed to serve the funding of programs and measures within the frames of these basic directions of the country.

Compared to 2012, in 2016, the total volume of payments to pensioners and those people receiving social allowances has increased by 71.6%, while the number of beneficiaries by almost 40 thousand;

- ✓ Within the frames of the pension insurance program, during the recent three years, all types of payments have increased:
 - For pension-age people;
 - A joint approach has been determined for the people receiving social allowances and the existing inequality practice has been improved;
 - Compensation for family members of the people who died for territorial integrity, freedom and independence of Georgia as well as peaceful missions has been defined as GEL 1000.
- ✓ Compared to 2012, in 2016, funding of health protection programs has increased by 140%;
- ✓ A Universal Health Insurance program has been introduced: all citizens of Georgia are provided with a universal package of health protection, while in 2012, only 1.6 million people used the State-funded insurance package;
- ✓ A Hepatitis C Elimination Program has been launched since April 2015, which covers diagnostic surveys for Hepatitis C infected citizens of Georgia and delivery of Hepatitis C treatment medicines to them:
 - More than 5000 patients have been included in the program at the first stage;
 - More than 1500 people have completed treatment;
 - 80% of the patients have defeated Hepatitis C;
 - On the second stage, annually, 20 000 infected people will undergo the treatment.
- ✓ Funding of village doctors and nurses has increased by 30%;
- ✓ All pregnant women are provided with required medicines;
- ✓ Within the frames of the program supporting improvement of the demographic condition, since 2014, in six regions of the country, a specific amount of money is allotted for every third and next child under age two (200 GEL in highland areas, 150 Gel in other regions).

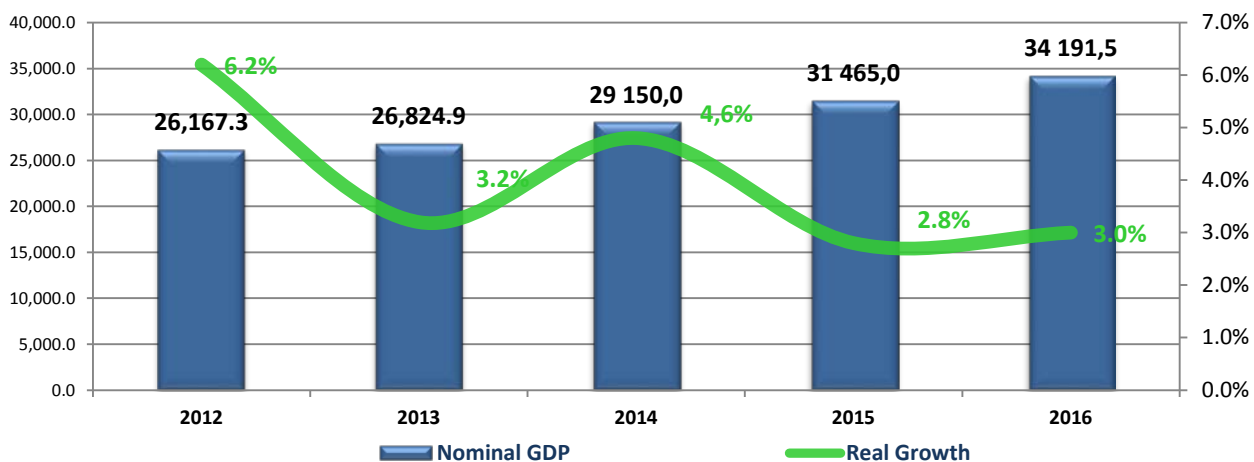
- ✓ A monthly allowance in the amount of not less than 20% of the State pension will be delivered to pensioners permanently living in highland areas; also, a monthly allowance in amount of 20% of the social package will be provided to people receiving social packages and permanently living in highland areas.
- ✓ Base salary of teachers will increase to GEL 405 (50-Gel increase) from April 2015;
- ✓ Nearly 100 rehabilitation projects have been carried out in melioration; 25 rehabilitation projects are under way;
- ✓ 128 new enterprises have been funded within the frames of privileged agro-credit; more than 665 enterprises have been equipped/enlarged. In 2016, 4.0 thousand new credits (leasing) are expected to be issued.

Main macroeconomic parameters

Budget deficit and surplus – when the Government spends more than it receives from taxes, national savings decrease and a budget deficit is created; while, if the Government spends less, then a budget surplus results. Total budget deficits accumulated in previous years represents State debt.

For 2016, the real growth forecast of GDP (market price of the final goods produced inside the country in a yearly period) amounts to 3.0%, while GDP deflator (average prices of all final goods and services) - 5,5%. By contrast, the real growth forecast of the economy in an average period is expected to be within the neighborhood of 5,5%, while the GDP deflator will amount to 4,5%.

Referring to the macro-economic indicators, in 2016, nominal GDP volume will amount 34,2 billion GEL, while the forecast for 2019 is the increase to GEL 45,8 billion.



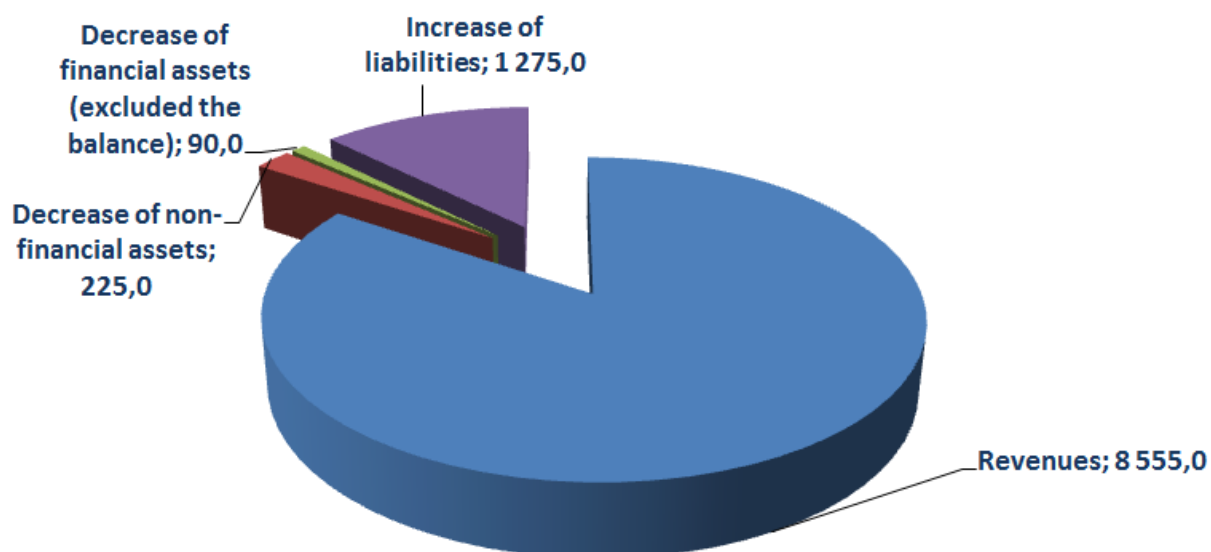
Name	2014 Actual	2015 Plan	2016 Plan
Real GDP growth	4,6%	2,8%	3,0%
Nominal GDP	29 150,5	31 465,0	34 191,5
Average yearly inflation	3,1%	4,0%	5,5%
Inflation by the end of the year	2,0%	5,5%	5,5%
State debt in percentages % to GDP	35,7%	43,1%	42,6%
Budget deficit in percentages % to GDP	2,9%	3,0%	3,0%

State Budget receipts

2016 State Budget receipts have been defined as GEL 10,145.0 mln, which exceeds the 2015 indicator by GEL 400.0 mln and amounts to 29.7% of GDP; compared to 2015, increase of receipts is basically linked to increase of tax receipts, which represents 78.7% of State budget receipts and 23.3% of GDP.

Structure of State Budget Receipts

Mln Gel



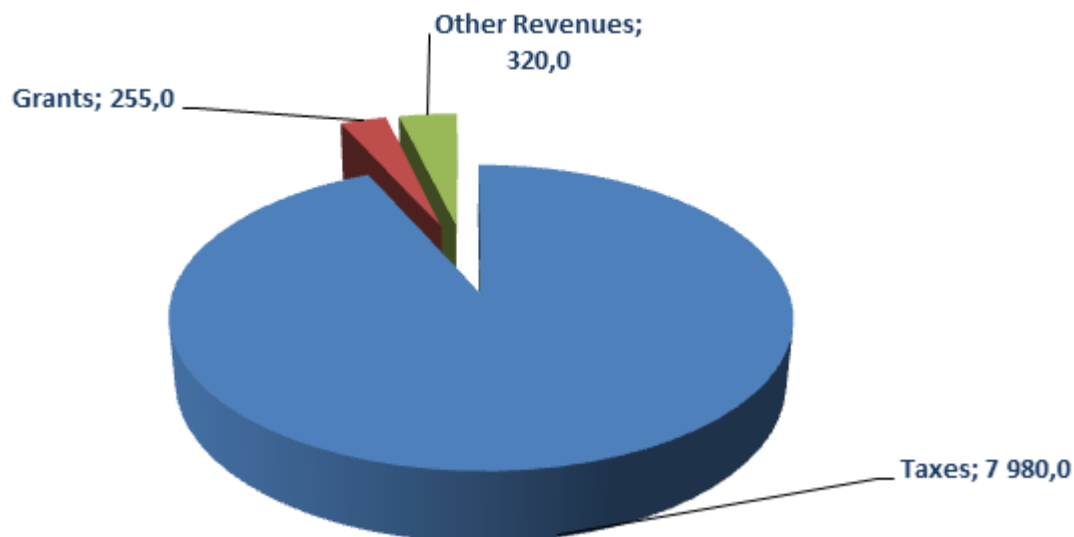
1.1 State Budget receipts

84.3% of 2016 State budget receipts come from revenues that total GEL 8,555.0, which is 25.0% of GDP.

Structure of State Budget Revenues

Mln Gel

Name	2014 Actual	2015 Plan	2016 Plan	Deviation (2016-2015)
Revenues	7 434,6	8 048,9	8 555,0	506,1
Taxes	6 847,0	7 520,0	7 980,0	460,0
Grants	278,7	238,9	255,0	16,1
Other revenues	308,9	290,0	320,0	30,0



Taxes

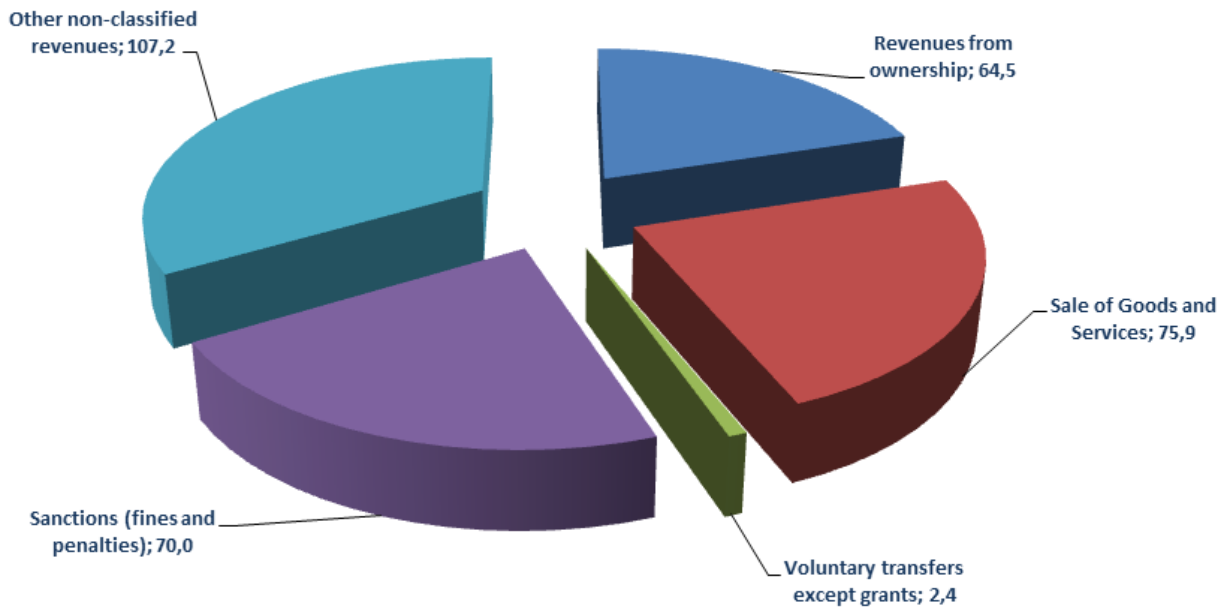
According to the 2016 State budget, GEL 7,980.0 million is expected to be collected through taxes, which exceeds the planned indicator of 2015 by GEL 460.0 million. The tax revenues comprise 78.7 percent of the State Budget receipts and 23.3 percent of the GDP.

Grants

In 2016 State budget (compared to 2015 planned) GEL 255.0 mln is expected to be received through Grants, which is Gel 61.1 million and comprises 2.6% of the total State budget receipts and 0.8% of GDP.

Other revenues

In 2016 State budget GEL 320.0 million is expected to be collected through other revenues that are GEL 30.0 mln less than the corresponding indicator in 2015. Revenues from ownership (dividends and interest of the State-owned enterprises or those under shared ownership, lease), administrative fees (licenses, permissions, registration fees) and fines make up a significant share of other revenues.



1.2 Decrease in nonfinancial assets

For 2016 State Budget, GEL 225.0 million is estimated to be collected through the non-financial assets, which is GEL 55.0 million less than the corresponding indicator for 2015.

1.3 Decrease in financial assets

Decrease in financial assets has been defined as GEL 90,0 mln, which represents the return of loans issued from State budget in previous years.

1.4 Increase in liabilities

GEL 1 275.0 mln has been mobilized in the 2016 State budget by taking a loan by the State, which is 12.6% of total budget resources and 3.7% of GDP.

2016 State Budget Receipts, payments and changes in the balance

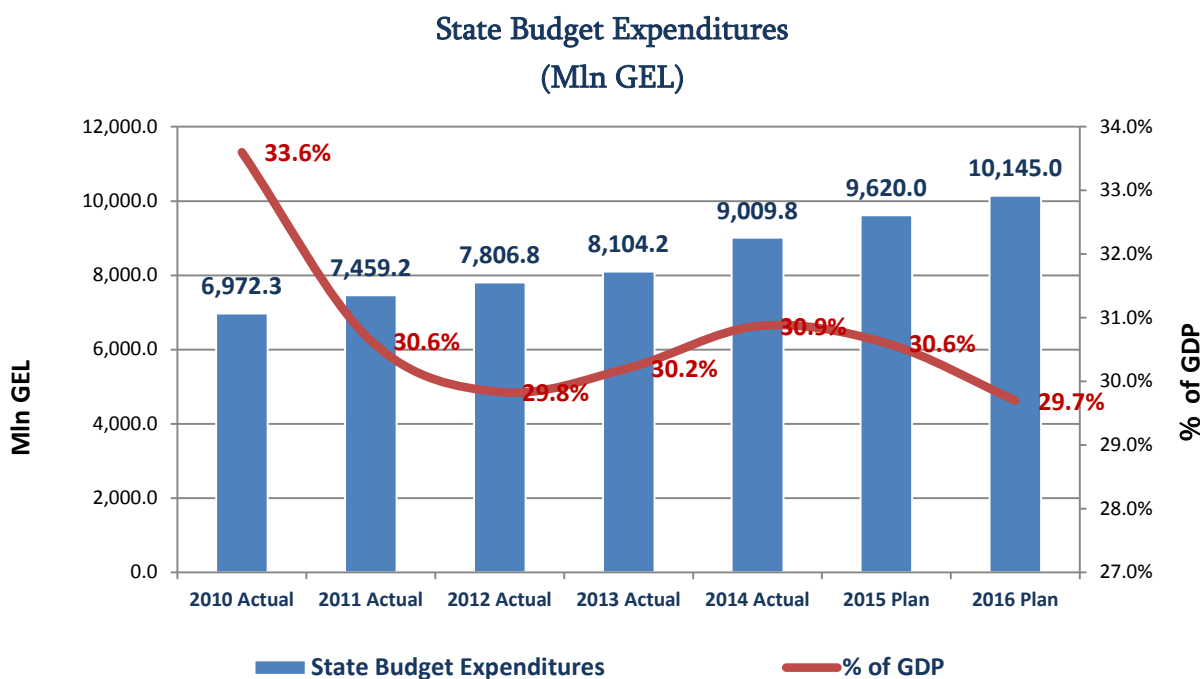
Mln Gel

Name	2014 Actual	2015 Plan	2016 Plan	Deviation (2016-2015)
1. Total receipts	9 157 085,1	9 745 000,0	10 145 000,0	400 000,0
1.1 Revenues	7 434 637,5	8 048 920,0	8 555 000,0	506 080,0
Taxes	6 846 964,2	7 520 000,0	7 980 000,0	460 000,0
<i>Income tax</i>	1 790 379,5	2 038 000,0	2 086 000,0	48 000,0
<i>Profit tax</i>	828 823,2	1 004 000,0	980 000,0	-24 000,0
<i>VAT</i>	3 298 518,3	3 525 000,0	3 802 000,0	277 000,0
<i>Excise</i>	810 209,1	860 000,0	1 012 000,0	152 000,0
<i>Import tax</i>	94 883,2	68 000,0	75 000,0	7 000,0
<i>Other taxes</i>	24 150,9	25 000,0	25 000,0	0,0
Grants	278 734,5	238 920,0	255 000,0	16 080,0
Other revenues	308 938,8	290 000,0	320 000,0	30 000,0
1.2 Decrease in nonfinancial assets	80 627,2	280 000,0	225 000,0	-55 000,0
1.3 Decrease in financial assets	72 139,9	85 000,0	90 000,0	5 000,0
<i>Loans</i>	72 136,8	85 000,0	90 000,0	5 000,0
<i>Other Account Receivable</i>	3,1	0,0	0,0	0,0
1.4 Increase in liabilities	1 569 680,5	1 331 080,0	1 275 000,0	-56 080,0
<i>Domestic liabilities</i>	572 815,6	315 000,0	200 000,0	-115 000,0
<i>External liabilities</i>	996 864,9	1 016 080,0	1 075 000,0	58 920,0
2. Total Expenditure	9 009 812,3	9 620 000,0	10 145 000,0	525 000,0
2.1 Expenses	7 479 426,2	8 110 493,1	8 543 569,5	433 076,4
Compensation for employees	1 296 186,2	1 381 379,6	1 443 304,3	61 924,8
Use of Goods and services	875 411,3	941 743,3	1 037 494,8	95 751,6
Interest	244 841,3	377 106,0	473 757,0	96 651,0
Subsidies	274 489,6	236 526,9	264 476,0	27 949,1
Grants	1 067 744,1	1 257 480,3	960 931,6	-296 548,7
Social benefits	2 547 741,7	2 783 632,8	3 056 999,0	273 366,2
Other expenses	1 173 012,1	1 132 624,3	1 306 606,8	173 982,5
2.2 Increase in nonfinancial assets	698 450,1	699 093,9	750 071,9	50 978,0
2.3 Increase in financial assets	272 202,3	336 190,0	407 001,6	70 811,6
2.4 Decrease in liabilities	559 733,7	474 223,0	444 357,0	-29 866,0
3. Changes in the balance	147 272,8	125 000,0	0,0	-125 000,0

2016 year expenditures

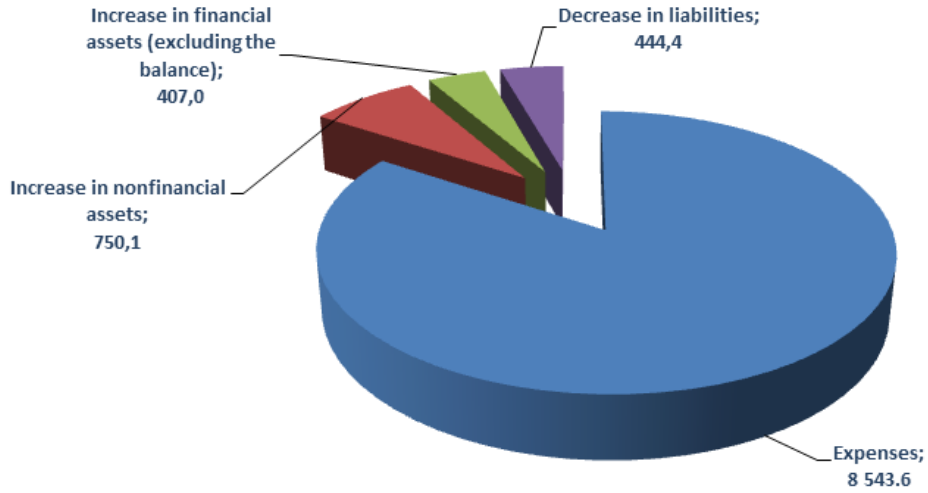
According to the 2016 State budget, the total volume of planned expenditures is in the amount of GEL 10,145.0 mln, which is GEL 525.0 mln more compared to the 2015 approved budget and amounts to 29.7% of GDP. State budget receipts represent the source of funding of State budget expenditures. Use of free funds (balance) on the planned State budget account is not planned.

	Mln Gel		
Name	2014 Actual	2015 Plan	2016 Plan
Expenditure	9 009,8	9 620,0	10 145,0
Expenses	7 479,4	8 110,5	8 543,6
Increase in nonfinancial assets	698,5	699,1	750,1
Increase in financial assets (excluding balance)	272,2	336,2	407,0
Decrease in liabilities	559,7	474,2	444,4



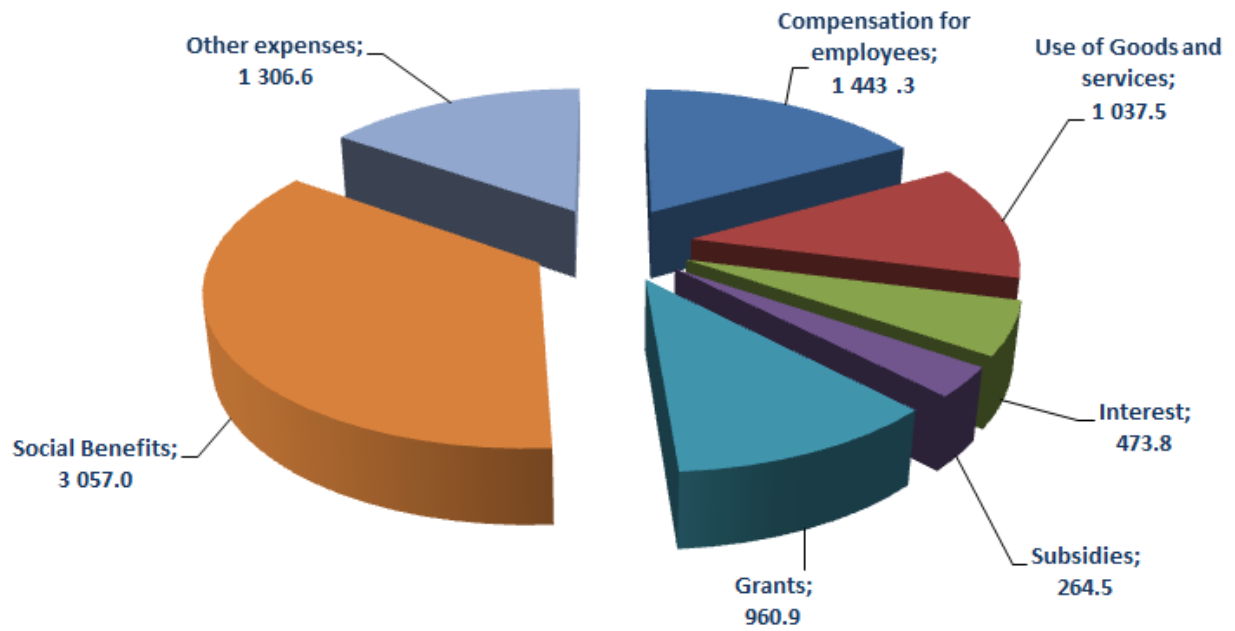
Structure of Expenditures

Mln Gel



Structure of expenses

Mln Gel



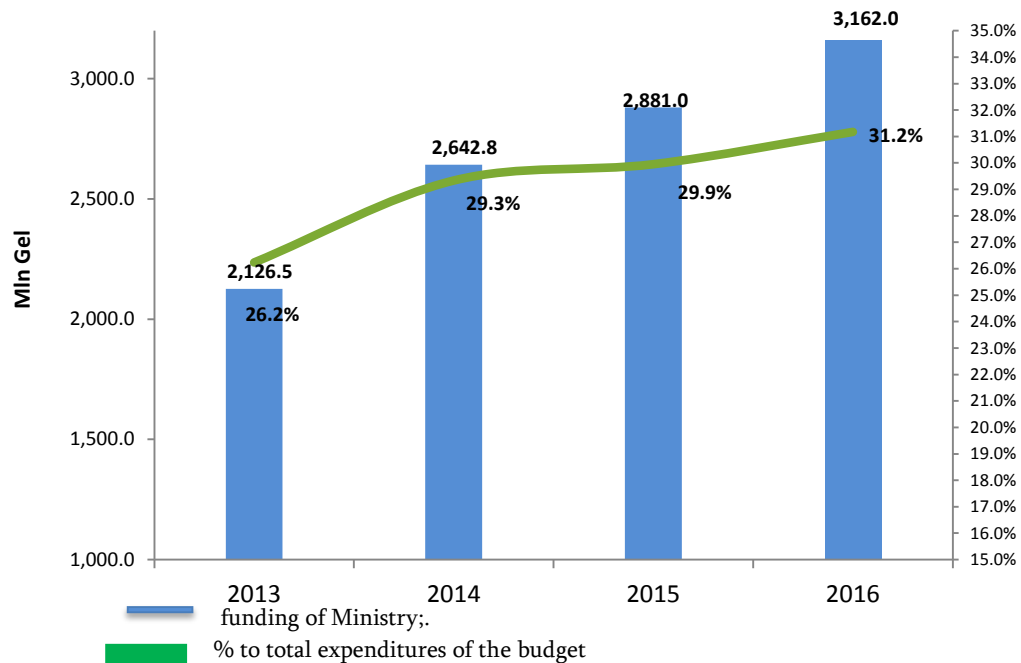
Funding of priority activities foreseen by 2016 budget



Access to High-quality Healthcare System and Social Provision

Mln Gel

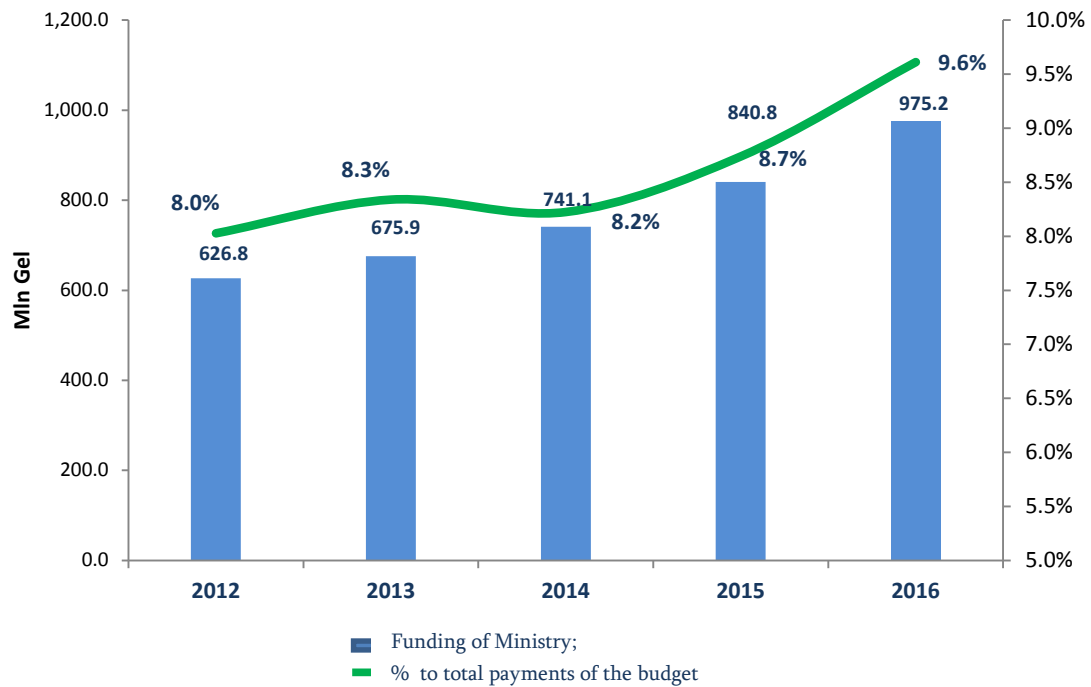
Name	2013 Actual	2014 Actual	2015 Plan	2016 Plan
Ministry of Labor, Health and Social Protection of Georgia	2 126,5	2 642,8	2 881,0	3 162,0
Inc. social programs	1 638,5	1 971,5	2 041,0	2 273,0
Inc. Health care State programs	435,5	588,3	752,2	801,5
Inc. universal health care of the population	69.9	338.5	566.0	570.0



Education, science and professional training

Mln Gel

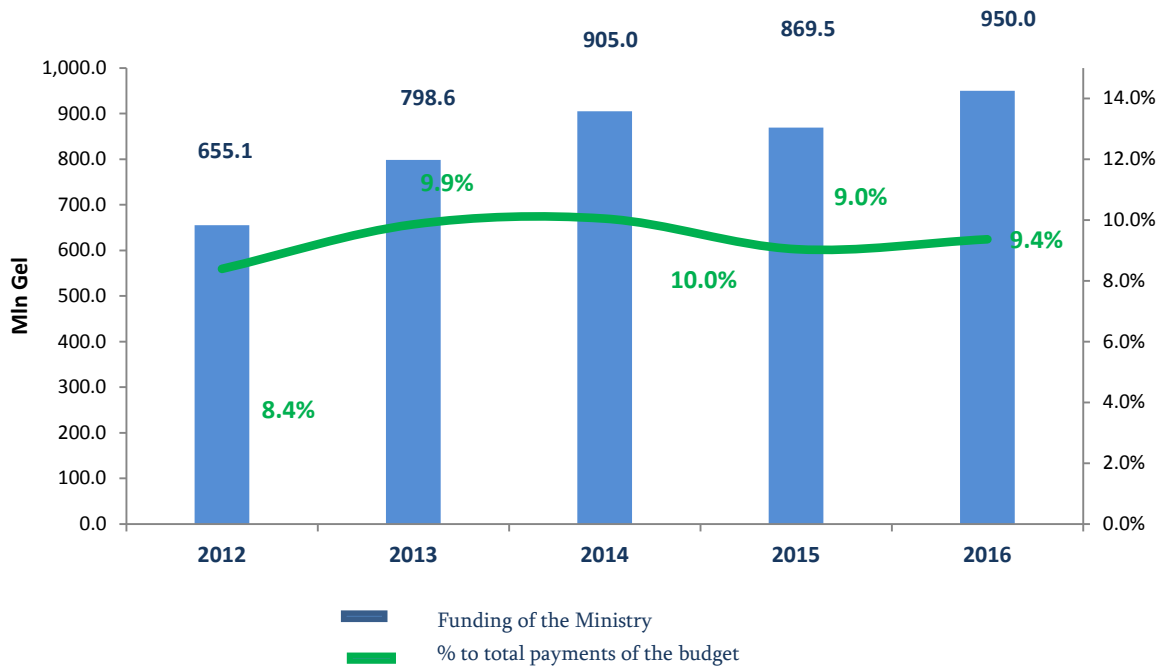
Name	2013 Actual	2014 Actual	2015 Plan	2016 Plan
Ministry of Education and Science of Georgia	675,9	741,1	840,8	975,2
Inc. voucher funding of schools	410,1	374,6	430,0	507,0
Inc. infrastructure development of educational institutions	42,9	89,7	69,1	69,1
Inc. provision of pupils with books	19,1	14,2	12,3	12,0
Inc. support to science	27,1	32,4	60,4	66,7



Regional Development and Infrastructure

Mln Gel

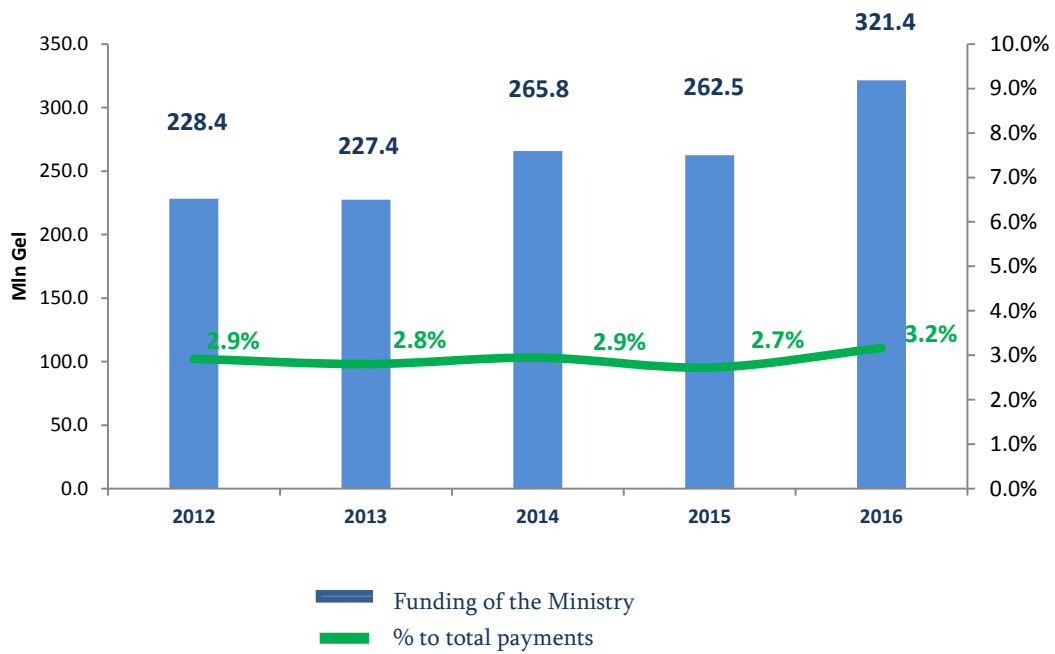
Name	2013 Actual	2014 Actual	2015 Plan	2016 Plan
Ministry of Regional Development and Infrastructure of Georgia	798,6	904,9	869,5	950,0
Inc. road infrastructure	523,0	526,4	507,0	526,6
Inc. regional and municipal infrastructure rehabilitation	127,1	168,3	204,6	246,2
Inc. water infrastructure	71,5	106,9	123,1	170,6



Agriculture

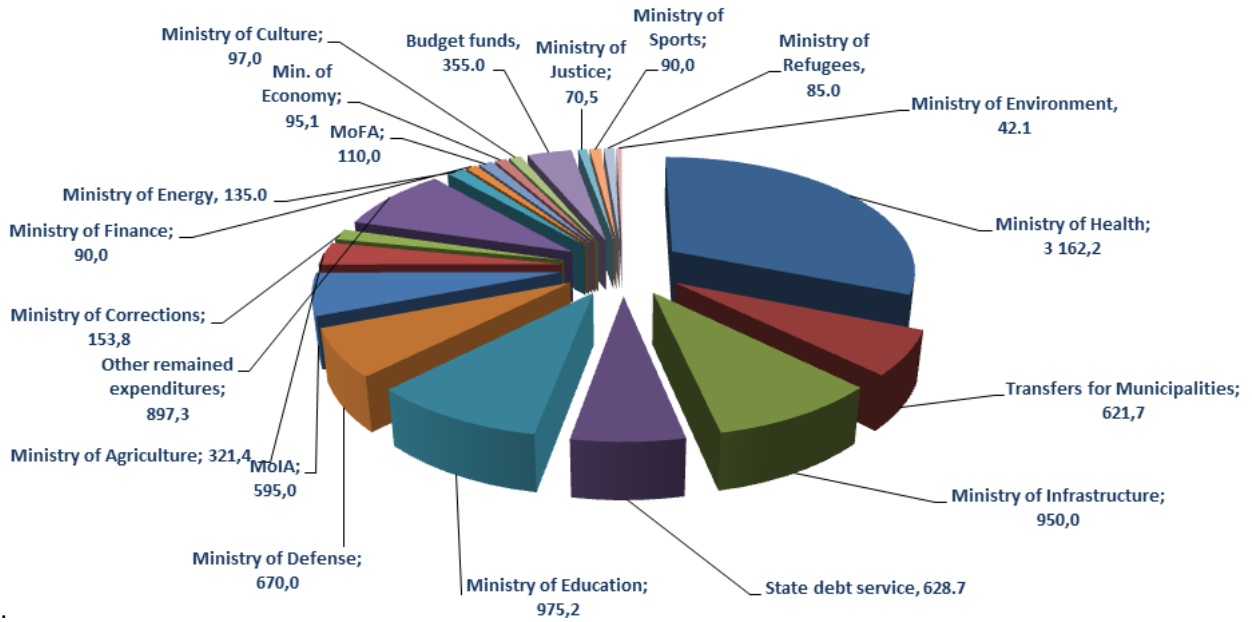
Mln Gel

Name	2013 Actual	2014 Actual	2015 Plan	2016 Plan
Ministry of Agriculture of Georgia	227,4	265,8	262,5	321,4
Inc. modernization of a melioration systems	61,5	50,1	67,1	63,0
Inc. privileged agri-credits	6,6	42,8	30,0	41,0
Inc. measures supporting small-size farmers' spring activities	0,0	50,0	50,0	48,0



Distribution of State budget appropriations

Mln GEL



Funding of spending organizations in 2014-2016

Mln Gel

Code	Name	2014 Actual	2015 Plan	2016 Plan	Inc. Budgetary funds
01 00	Parliament of Georgia and existing parliamentary organizations	56,6	54,5	60,0	60,0
02 00	Administration of the President of Georgia	9,6	9,8	9,8	9,8
03 00	Apparatus of the National Security Council of Georgia	1,4	2,0	2,0	2,0
04 00	Administration of the Government of Georgia	30,4	21,0	20,0	20,0
05 00	State Audit Service	11,9	12,9	14,5	14,5
06 00	Central Election Commission of Georgia	57,6	22,5	58,5	58,5
07 00	Constitutional Court of Georgia	3,1	3,4	3,4	3,4
08 00	Supreme Court of Georgia	6,6	6,6	7,7	7,7
09 00	Common Courts of Georgia	47,4	50,0	52,0	52,0
10 00	Supreme Council of Justice of Georgia	2,3	2,7	2,7	2,7
11 00	Administration of the State Representative – Governor in Abasha, Zugdidi, Martvili, Mestia, Senaki, Chkhorotskhu, Tsalenjikha, Khobi Municipalities and in the Self-Governing city of Poti	0,8	0,9	0,9	0,9
12 00	Administration of the State Representative – Governor in Lanchkhuti, Ozurgeti and Chokhatauri Municipalities	0,7	0,7	0,7	0,7
13 00	Administration of the State Representative – Governor in Baghdati, Vani, Zestaponi, Terjola, Samtredia, Sachkhere, Tkibuli, Tskhaltubo, Chiatura, Kharagauli, Khoni Municipalities and in the Self-Governing city of Kutaisi	1,0	0,8	0,8	0,8
14 00	Administration of the State Representative – Governor in Akhmeta, Gurjaani, Dedoplistskharo, Telavi, Lagodekhi, Sagarejo, Signaghi and Kvareli Municipalities	0,8	0,8	0,8	0,8
15 00	Administration of the State Representative – Governor in Dusheti, Tianeti, Mtskheta and Kazbegi Municipalities	0,7	0,7	0,7	0,7
16 00	Administration of the State Representative – Governor in Ambrolauri, Lentekhi, Oni and Tsageri Municipalities	0,7	0,7	0,7	0,7
17 00	Administration of the State Representative – Governor in Adigeni, Aspindza, Akhaltsikhe, Akhalkalaki, Borjomi and Ninotsminda Municipalities	0,7	0,7	0,7	0,7
18 00	Administration of the State Representative – Governor in Bolnisi, Gardabani, Dmanisi, Tetritskharo, Marneuli, Tsalka Municipalities and in the Self-Governing city of Rustavi	0,8	1,0	1,0	1,0

Code	Name	2014 Actual	2015 Plan	2016 Plan	Inc. Budgetary funds
19 00	Administration of the State Representative – Governor in Gori, Kaspi and Khashuri Municipalities	0,7	0,7	0,7	0,7
20 00	Office of the State Minister of Georgia on European and EuroAtlantic Integration	5,0	3,1	3,1	3,1
21 00	Office of the State Minister of Georgia for Diaspora Issues	1,3	1,2	1,2	1,2
22 00	Office of the State Minister of Georgia for Reconciliation and Civic Equality	1,3	1,4	1,4	1,4
23 00	Ministry of Finance of Georgia	94,5	91,0	90,0	90,0
24 00	Ministry of Economy and Sustainable Development of Georgia	88,4	85,4	95,1	95,0
25 00	Ministry of Regional Development and Infrastructure of Georgia	905,0	869,5	950,0	398,0
26 00	Ministry of Justice of Georgia	68,2	66,1	70,5	68,5
27 00	Ministry of Corrections, Probation and Legal Assistance of Georgia	150,2	150,5	153,8	153,8
28 00	Ministry of Foreign Affairs of Georgia	89,4	89,5	110,0	110,0
29 00	Ministry of Defense of Georgia	667,4	667,3	670,0	670,0
30 00	Ministry of Internal Affairs of Georgia	607,1	591,7	595,0	595,0
31 00	Georgian Intelligence Service	9,3	12,4	15,0	15,0
32 00	Ministry of Education and Science	741,1	840,8	975,2	905,0
33 00	Ministry of Culture and Monument Protection of Georgia	94,1	94,9	97,0	97,0
34 00	Ministry of IDPs, Housing and Refugees of Georgia	49,4	70,0	85,0	85,0
35 00	Ministry of Labor, Health and Social Protection of GEorgia	2 642,8	2 881,0	3 162,0	3 162,0
36 00	Ministry of Energy of Georgia	168,7	114,3	135,0	32,0
37 00	Ministry of Agriculture of Georgia	265,8	262,5	321,4	295,0
38 00	Ministry of Environment and Natural Resources of Georgia	32,4	36,6	42,1	35,9
39 00	Ministry of Sports and Youth Affairs of Georgia	90,7	69,8	90,0	90,0
40 00	Special State Protection Service of Georgia	50,2	54,1	55,0	55,0
41 00	Public Defender's Office of Georgia	3,5	4,0	4,5	4,5
42 00	LEPL – Public Broadcaster	38,2	40,8	44,1	44,1

Code	Name	2014 Actual	2015 Plan	2016 Plan	Inc. Budgetary funds
43 00	LEPL – Competition Agency *	0,4	1,9	2,0	2,0
44 00	Administration of South Ossetia	3,5	3,5	3,5	3,5
45 00	Patriarchate of Georgia	25,6	25,0	25,0	25,0
46 00	LEPL – Levan Samkharauli National Forensic Bureau	3,5	3,5	3,5	3,5
47 00	LEPL – Statistics National Service of Georgia - GeoStat	14,9	8,9	7,8	7,8
48 00	LEPL – Insurance State Supervision Service of Georgia	1,2	1,3	1,3	1,3
49 00	LEPL – National Investment Agency of Georgia	2,3	2,3	2,3	2,3
50 00	LEPL – Civil Service Bureau	0,7	1,2	1,4	1,4
51 00	Office of Personal Data Protection Inspectorate	0,6	1,5	2,1	2,1
52 00	Trade-Industrial Chamber of Georgia	3,7	0,5	1,3	1,3
53 00	LEPL – Legal Support Service	2,9	4,5	5,8	5,8
54 00	LEPL – State Office of Veterans' Affairs	1,9	7,5	7,5	7,5
55 00	LEPL – State Agency for Religious Issues	2,2	4,2	5,6	5,6
56 00	Financial Monitoring Service of Georgia	0,0	2,2	2,2	2,2
57 00	Non-entrepreneur (non-commercial) Legal Entity – Solidarity Fund	0,1	0,3	0,3	0,3
58 00	LEPL – International Center of Education	0,0	5,8	6,5	6,5
59 00	Office for State Security and Crisis Management of Georgia	0,0	4,6	5,2	5,2
60 00	State Security Service of Georgia	0,0	36,0	100,0	100,0
61 00	LEPL – State Language Department	0,0	0,0	0,3	0,3
62 00	Payments of general-state importance	1 848,5	2 215,6	1 957,7	1 907,6
63 00	LEPL – State Procurement Agency	0,2	0,0	0,0	0,0
State budget appropriations of Georgia		9 009,8	9 620,0	10 145,0	9 335,0

Amount of the transfer to the local Self-Governing units based on the draft 2016 State Budget amounts to GEL 621 700,0 thousand

In thousand Gel

Name of Autonomous Republics and Self-Governing units	Total transfers	Equalization transfer	Targeted transfer	Special transfer
Autonomous Republic of Abkhazeti	9,000.0	0.0	0.0	9,000.0
Tbilisi city Municipality	242,582.2	242,182.2	400.0	
Adjara Municipality	1,099.6	1,074.6	25.0	
Batumi city Municipality	33,642.3	33,642.3	0.0	
Kobuleti Municipality	5,868.4	5,868.4	0.0	
Khelvachauri Municipality	7,776.5	7,776.5	0.0	
Keda Municipality	3,835.5	3,835.5	0.0	
Shuakhevi Municipality	4,207.2	4,207.2	0.0	
Khulo Municipality	5,986.0	5,986.0	0.0	
Akhmeta Municipality	5,335.1	5,205.1	130.0	
Gurjaani Municipality	5,930.4	5,770.4	160.0	
Dedoplistskharo Municipality	1,762.2	1,577.2	185.0	
Telavi city Municipality	6,442.4	6,280.4	162.0	
Telavi Municipality	3,720.0	3,590.0	130.0	
Lagodekhi Municipality	5,411.8	5,191.8	220.0	
Sagarejo Municipality	3,270.5	3,060.5	210.0	
Sighnaghi Municipality	2,961.8	2,816.8	145.0	
Kvareli Municipality	3,193.8	3,058.8	135.0	
Kutaisi city Municipality	21,498.0	21,278.0	220.0	
Chiatura Municipality	6,807.3	6,575.3	232.0	
Tkibuli Municipality	2,877.8	2,727.8	150.0	
Tskhaltubo Municipality	5,966.0	5,796.0	170.0	
Baghdati Municipality	3,347.7	3,219.7	128.0	
Vani Municipality	5,398.7	5,248.7	150.0	
Zestaponi Municipality	5,470.8	5,230.8	240.0	
Terjola Municipality	6,271.1	6,111.1	160.0	
Samtredia Municipality	5,588.6	5,399.6	189.0	
Sachkhere Municipality	6,149.4	5,959.4	190.0	
Kharagauli Municipality	4,192.1	4,054.1	138.0	
Khoni Municipality	5,479.2	5,319.2	160.0	
Poti city Municipality	260.0	0.0	260.0	
Zugdidi city Municipality	11,132.2	11,005.2	127.0	
Zugdidi Municipality	11,752.2	11,522.2	230.0	
Abasha Municipality	4,909.0	4,762.0	147.0	

Name of Autonomous Republics and Self-Governing units	Total transfers	Equalization transfer	Targeted transfer	Special transfer
Martvili Municipality	5,227.5	5,064.5	163.0	
Mestia Municipality	2,947.8	2,822.8	125.0	
Senaki Municipality	4,208.7	4,013.7	195.0	
Chkhorotskhu Municipality	4,057.8	3,885.8	172.0	
Tsalenjikha Municipality	4,579.3	4,401.3	178.0	
Khobi Municipality	2,347.7	2,127.7	220.0	
Gori city Municipality	9,521.0	9,311.0	210.0	
Gori Municipality	10,311.6	10,205.6	106.0	
Kurta Municipality	2,122.6	2,032.6	90.0	
Eredvi Municipality	3,168.1	1,873.1	45.0	1,250.0
Kaspi Municipality	3,791.9	3,614.9	177.0	
Kareli Municipality	6,052.5	5,839.5	213.0	
Tighvi Municipality	1,410.9	1,285.9	25.0	100.0
Khashuri Municipality	5,215.7	4,986.7	229.0	
Rustavi city Municipality	11,593.8	11,093.8	500.0	
Bolnisi Municipality	305.0	0.0	305.0	
Gardabani Municipality	2,389.5	2,129.5	260.0	
Dmanisi Municipality	2,029.9	1,914.9	115.0	
Tetritskharo Municipality	4,018.9	3,801.9	217.0	
Marneuli Municipality	4,862.5	4,612.5	250.0	
Tsalka Municipality	2,663.0	2,554.0	109.0	
Lanchkhuti Municipality	5,516.1	5,296.1	220.0	
Ozurgeti city Municipality	5,206.4	5,120.4	86.0	
Ozurgeti Municipality	5,657.6	5,483.6	174.0	
Chokhatauri Municipality	2,890.4	2,707.4	183.0	
Adigeni Municipality	3,043.4	2,906.4	137.0	
Aspindza Municipality	2,144.3	2,018.3	126.0	
Akhalkalaki Municipality	5,996.9	5,781.9	215.0	
Akhaltzikhe city Municipality	4,518.6	4,351.6	167.0	
Akhaltzikhe Municipality	3,375.5	3,265.5	110.0	
Borjomi Municipality	190.0	0.0	190.0	
Ninotsminda Municipality	2,898.1	2,733.1	165.0	
Akhalgori Municipality	2,413.3	2,073.3	90.0	250.0
Dusheti Municipality	3,313.4	3,203.4	110.0	
Tianeti Municipality	3,190.0	3,054.0	136.0	
Mtskheta city Municipality	1,758.6	1,663.6	95.0	
Mtskheta Municipality	280.0	0.0	280.0	
Kazbegi Municipality	632.1	547.1	85.0	

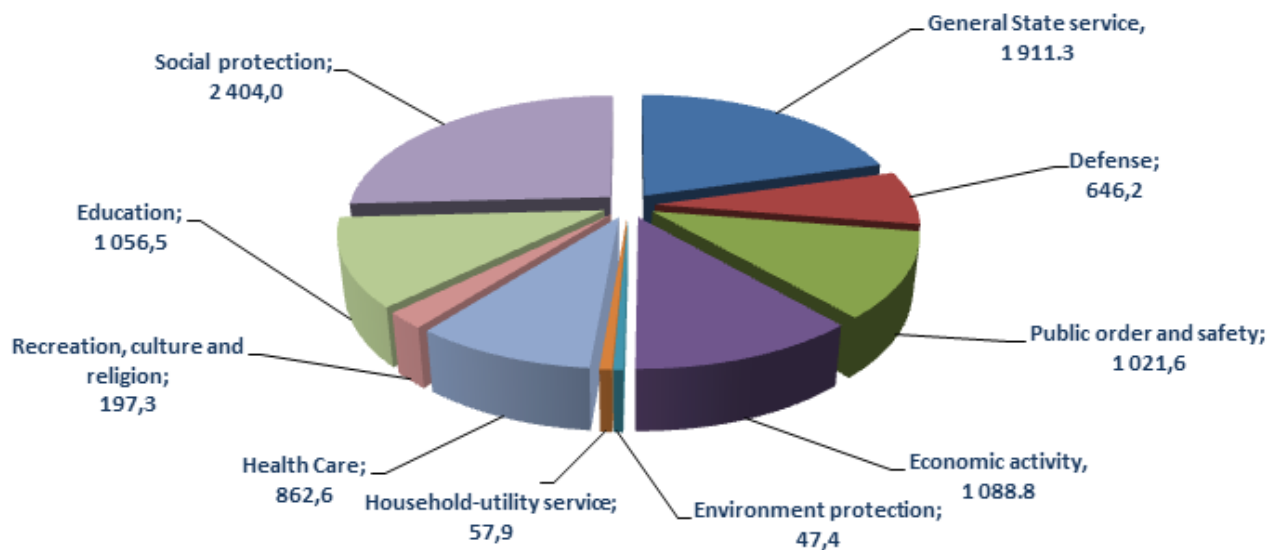
Name of Autonomous Republics and Self-Governing units	Total transfers	Equalization transfer	Targeted transfer	Special transfer
Ambrolauri city Municipality	3,983.9	3,902.9	81.0	
Ambrolauri Municipality	2,627.4	2,572.4	55.0	
Lentekhi Municipality	2,756.5	2,651.5	105.0	
Oni Municipality	2,885.1	2,782.1	103.0	
Taageri Municipality	4,470.9	4,312.9	158.0	
Total Georgia	621,700.0	599,332.0	11,768.0	10,600.0

Functional classification of expenses and increase in nonfinancial assets of State Budget of Georgia

Expenses of State Budget of Georgia and increase in nonfinancial assets are recorded by functional classification and looks as follows:

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Code	Name	2014 Actual	2015 Plan	2016 Plan
	Total expenditures	8 177,9	8 809,6	9 293,6
	General State service	1 745,9	2 095,4	1 911,3
	Defense	639,6	644,3	646,2
	Public order and safety	905,8	932,2	1 021,6
	Economic activity	1 004,6	935,4	1 088,8
	Environment protection	37,5	43,0	47,4
	Household-utility service	54,4	49,7	58,0
	Health Care	652,8	822,5	862,6
	Recreation, culture and religion	176,2	186,0	197,3
	Education	803,9	914,9	1 056,5
	Social protection	2 157,0	2 186,2	2 404,0



How to participate in the budget process?

Citizen participation in the budget process enables broad-based consideration of budgetary requirements, expression of varying positions toward specific governmental initiatives and plans, sharing with the government and impacting on the government's decisions. As a result of the active involvement of the citizens:

- ✓ Citizen responsibility increases;
- ✓ Budget and economic education levels improve;
- ✓ Government and nongovernmental organizations define new platforms of involvement;
- ✓ The decision-making processes of central and local government improve;
- ✓ Citizens' trust towards central and local government rises;
- ✓ Government decisions are seen as more legitimized
- ✓ Citizen involvement in the budget funded activity monitoring process increases.

The website of the Ministry of Finance of Georgia includes a survey: "Participate in Budget Planning and Define Priority Directions". Citizens can check the website at <http://survey.mof.ge/> and express their own opinion. The survey request citizen input, organized by 10 priorities sectors:

- Education
- Science
- Social protection and pension insurance
- Health protection
- Agriculture development
- Environment protection
- Sports and Youth support
- Infrastructure
- Defense and public safety
- Culture

Breakdown of the presented priorities is organized at your own preference, followed by percentage calculation in a diagram showing which of the priorities has received the highest indicator. Since May 2014, 650 people have participated in the survey, while in 2015, more than 4,500 people expressed their opinions regarding budget priorities.

Priorities

